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REMARKS BY THE EXECUTIVE SECRETARY OF THE  
ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN  
AT THE SECOND PLENARY SESSION

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1. I would like to thank the President of the Inter-American Development Bank, Enrique Iglesias, for having invited me to address this meeting of the Board of Governors. The decision to hold this meeting in Santiago, where our organization is headquartered, has enabled ECLAC and the IDB to undertake a number of important joint activities. I would also like to commend the Chilean authorities for their organization of this meeting and for the hospitality that they have extended to all the participants. For our part, we can only reaffirm, once again, our heartfelt gratitude to this beautiful country that has served as the headquarters for our Commission for more than half a century.
2. During the last few days we have been participating in discussions and brainstorming sessions concerning the factors that have prevented our region from growing faster and attaining higher levels of international competitiveness. The analysis of these subjects clearly has far-reaching implications for social development and this, as on earlier occasions, has also been a focus of these discussions.
3. Latin America and the Caribbean can lay claim to substantial economic, social and political achievements over the past decade, but the region is also faced with a number of unresolved issues within, as noted in a recent ECLAC study, a context of both light and shadow. In the economic arena, we have made major strides in correcting our fiscal deficits, increasing public social expenditure, lowering inflation, boosting exports, revitalizing existing regional integration processes and launching new ones, and attracting flows of foreign direct investment. Nonetheless, the region's average economic growth rate remains below the rates recorded for the three decades preceding the debt

crisis and below the figure that ECLAC believes is necessary in order for our region to overcome the severe poverty and inequity from which it suffers. This fact, in conjunction with the presence of generally adverse distributional tensions, explains why this economic growth has led to no more than a modest reduction in poverty levels and why those levels remain higher than they were prior to the debt crisis.

4. In the United Nations Millennium Declaration issued in the year 2000, the heads of State gathered at the Millennium Summit spoke of the need “to ensure that globalization becomes a positive force for all the world’s people.” In the light of the foregoing, it is clear that this is the key challenge facing our region.

5. The first step in responding to this challenge is to achieve greater stability in our economic growth. The important inroads made in terms of inflation and fiscal adjustment have not, in fact, been reflected in more stable economic growth rates. This is why ECLAC has been emphasizing the importance of adopting a broader definition of macroeconomic stability, one that includes not only the need to curb inflation but also the necessity of reducing the volatility of growth. The evidence in the region suggests that this volatility plays just as important a role as inflation does in generating defensive microeconomic strategies that tend to discourage productive investment. Traditional macroeconomic policy, together with the prudential regulation of financial sectors and capital flows, should take on a clearly countercyclical orientation and should be designed, in particular, to prevent imbalances from arising during booms on international capital markets, thereby providing macroeconomic policy-makers with additional maneuvering room in managing economic crises.

6. The major constraint that the authorities have to deal with in the area of macroeconomic policy is unquestionably their increasing loss of autonomy, which, as evidenced by the current state of affairs, is particularly costly within an international environment marked by financial volatility. This is why the success of policies aimed at smoothing out international financial cycles hinges on the implementation of measures to block that volatility at its source and to develop stronger international financial institutions. I would therefore like to emphasize the importance for our region of maintaining an active presence in international debates concerning the reform of the international financial system, including those held within the framework of the United Nations. As part of this process, this past November the Government of Colombia, with the assistance of ECLAC and the IDB, organized the regional preparatory meeting for the United Nations high-level meeting on financing for development to be held in Mexico in 2002.

7. The consolidation of achievements on the macroeconomic front—including the advances made in attaining more stable growth—is not, however, enough in and of itself. Dynamic productive development does not, as a matter of fact, appear to be a corollary of a sound macroeconomy. The need to forge active productive development policies that make use of new types of instruments suited to open economies and that cast private firms in a principal role is therefore one of the major institutional challenges facing our

region. These new instruments must be specifically directed towards achieving greater international market penetration, creating and completing markets, and developing new types of public-private partnerships at the local, national and regional levels.

8. I would like to point out two fundamental aspects of this challenge. The first is the importance of promoting innovation, in the broad sense of the term; this includes technological innovation, particularly in the fields of information sciences and biotechnology, but it also entails providing support for business development, financing new productive ventures and activities, conquering new markets, disseminating new management and marketing methods, and developing new sources of raw materials. The second is the need to promote a wide range of complementarities among business enterprises as a means of building systemic competitiveness. At a time when establishing a position in export markets is a priority objective and when the region has already met with some success in this regard, our efforts should be focused on increasing the national or regional content of exports with a view to ensuring that the development of our export sector will bring a faster pace of economic growth along with it.

9. Devising policies to foster innovation and complementarity is the core component of productive development policies for the economies of today. I would like to conclude my remarks by stressing how important it is for microenterprises and small and medium-scale businesses to play an active part in this effort. Promoting all forms of innovation in these enterprises, together with linkages that will enable them to participate, either directly or indirectly, in the development of export sectors, is therefore a clear priority. This having been said, we must also recognize that any attempt to improve distributional conditions in our societies will necessarily entail doing away with the structural heterogeneity characteristic of our production systems, which has clearly grown worse in the last decade. We are also aware that social policy alone cannot break down the patterns of social exclusion typical of our societies. In order to bear fruit, social policy must be backed up by a sound macroeconomy that will help to stabilize economic growth, as well as by active strategies for the promotion of productive development.

10. These brief remarks concerning economic growth and international competitiveness do not, of course, cover the entire development agenda. The results of this past decade, while disappointing in some aspects, have given rise to a constructive debate that has enriched that agenda. New areas of emphasis—such as those of institutional development, the provision of social safety nets, the “ownership” of development policies—have emerged. Most importantly, there is now a keen awareness of the fact that the objectives of development encompass much more than simply economic growth as such; they also involve human rights, democracy, social development, gender equity, respect for ethnic and cultural diversity, and environmental protection. This is the wide-ranging task that awaits the governments of our countries and regional institutions such as the Inter-American Development Bank and the Economic Commission for Latin America and the Caribbean. Be assured that we will spare no effort in contributing to this great region wide undertaking.